

Message Text

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21

ACTION OPIC-06

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FOR OPIC

E.O. 11652: N/A

TAGS: EINV, EFIN, PK

SUBJECT: OPIC LOAN PROGRAM

REFERENCE: BOSTWICK - AMSTUTZ LETTER, JANUARY 21, 1976

1. EMBOFFS FEBRUARY 9 MADE AN INFORMAL APPROACH TO FINANCE MINISTRY (JOINT SECRETARY SIRAJ YUSUF KHAN) TO DISCUSS THE POSSIBILITY OF WORKING OUT GUIDELINES FOR A FUTURE OPIC LOAN PROGRAM. THEY LEFT WITH SIRAJ YUSUF KHAN A COPY OF THE LIST OF CRITERIA DRAWN FROM REFERENCED LETTER, DESCRIBING THIS AS AN ILLUSTRATION OF THE TYPE OF APPROACH OPIC WAS NO CONSIDERING, AND SUGGESTING THAT SIRAJ YUSUF KHAN GIVE HIS REACTION TO THE LIST, ON A SIMILARLY INFORMAL BASIS, WHEN HE HAD HAD TIME TO CONSIDER IT AND TO CONSULT GOP COLLEAGUES.

2. DEPARTMENT AND OPIC WILL RECALL THAT SIRAJ YUSUF KHAN HAD SUGGESTED LAST SUMMER WHEN BOSTWICK VISITED HERE THAT A RENEWED COOLEY LOAN PROGRAM MIGHT BE ACCEPTABLE TO THE GOP IF SOME WAY COULD BE WORKED OUT TO EARMARK REFLows FOR ELIMINATION OR GRANTING BACK TO PAKISTAN. THIS WAS STILL VERY MUCH ON HIS MIND. EMBOFFS SAID, AS INDICATED IN REF LETTER, THAT IT WOULD NOT BE POSSIBLE TO MAKE A FORMAL, WRITTEN AGREEMENT TO THAT EFFECT, BUT

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THAT VERBAL ASSURANCES FOR GRANT EARMARKING WOULD BE

POSSIBLE. THEY POINTED OUT THAT AID WAS CURRENTLY
MAKING MONDALE GRANTS TO THE MAXIMUM EXTENT POSSIBLE, AND
THAT THIS EARMARKING WOULD ONLY BE POSSIBLE IF OPIC
RESTRICTED ITSELF TO USING PL 480 SOURCE RUPEES FOR ITS
LOCAL CURRENCY LOANS.

3. SIRAJ YUSUF KHAN WENT OVER IN SOME DETAIL THE TYPE
OF GRANT PROGRAM TO WHICH HE WOULD LIKE TO SEE COOLEY
LOAN REFLows APPLIED. THE BURDEN OF HIS ARGUMENT WAS
THAT PAKISTAN'S CONTROL OVER THESE REFLows SHOULD BE
MAXIMIZED AND THAT THEIR USE SHOULD NOT NECESSARILY BE TIED TO
AID PROJECTS.

THE OBJECT, HE SAID, WAS TO ELIMINATE THESE RUPEES FROM
FURTHER CIRCULATION, FOR EXAMPLE, BY USING THEM TO
REPLACE PLANNED DEFICIT FINANCING.

4. EMBOFFS WERE LEFT WITH THE IMPRESSION THAT HE WAS NOT
VERY WELL VERSED ON THE OPERATION OF THE PRESENT MONDALE
GRANTS, AND THAT THE PRECISE DESCRIPTION HE GAVE, WHILE
IT CERTAINLY REFLECTED HIS OWN STRONGLY HELD VIEWS,
MIGHT NOT REFLECT A CONSIDERED GOP POLICY. THE MEETING
IN ANY CASE CONCLUDED WITH A CONSENSUS THAT THESE THINGS
COULD BE SETTLED WITH THE VARIOUS GOP MINISTRIES CONCERNED
IF THE GENERAL OUTLINE OF THE PROPOSED PROGRAM WAS ACCEPT-
ABLE.

5. A NUMBER OF OTHER MINISTERIAL ENTITIES WOULD BE
INVOLVED IN ANY RENEWED COOLEY LOAN PROGRAM - PRIMARILY
ECONOMIC AFFAIRS DIVISION AND THE STATE BANK, AND TO A
LESSER DEGREE THE INDUSTRIES MINISTRY. IT IS PREMATURE
AT THIS POINT TO INVOLVE THEM IN THIS DIALOGUE.

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